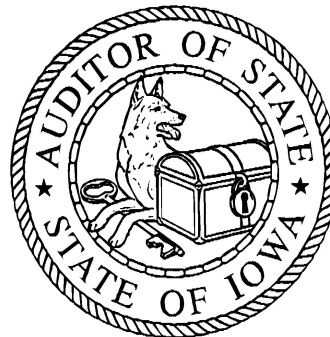


SAMPLE MENTAL HEALTH REGION

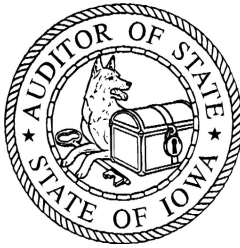
**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
Auditor of State



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client. This sample is for a Region providing mental health services on the basis of an agreement between several member county governments, as provided for in Chapter 28E of the Code of Iowa.

Audits of mental health regions should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format displays the financial statements and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this Office. The detail presented in the financial statements is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Region feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Regions with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Region's cognizant or oversight agency.

In accordance with OMB Circular A-133, the reporting package and the Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <https://harvester.census.gov/facweb/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated e-mails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.


The findings on compliance, items IV-A-15 through IV-D-15, detail those items which are to be included regardless of whether there are instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Region for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the Region and a copy should be sent to this Office with two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this Office.

In accordance with Chapter 11 of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the State.

A handwritten signature in black ink that reads "Mary Mosiman". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

MARY MOSIMAN, CPA
Auditor of State

Paper Copy Submission

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this Office upon release to the Region within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, Iowa 50319-0001

One copy of the audit report should be filed with the Iowa Department of Human Services.

Electronic Submission

The Region or CPA firm must also e-mail a PDF copy of the audit report to the Auditor of State's Office to:

SubmitReports@auditor.state.ia.us

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this Office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

Filing Fee Submission

The filing fee should be mailed separately to:

Office of Auditor of State
PO Box 333
Des Moines, Iowa 50302-0333

The designated budget strata and applicable filing fees are as follows:

<u>Budgeted Expenditures in Millions of Dollars</u>	<u>Filing Fee Amount</u>
Under 1	\$100.00
At least 1 but less than 3	\$175.00
At least 3 but less than 5	\$250.00
At least 5 but less than 10	\$425.00
At least 10 but less than 25	\$625.00
25 and over	\$850.00

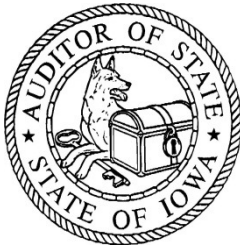
Sample Mental Health Region

Additional Notes

1. As a result of legislation enacted by the 2012 Legislature, Chapter 331.392(4)f requires an annual independent audit of the regional administrator. By definition, the regional administrator includes financial data reported in the Mental Health Fund of each member county and the pooled funds held and reported in a separate Agency Fund by the Region's fiscal agent. The required disclosure of financial information for each member county's Mental Health Fund is also included in Note 15 to the financial statements in the Sample County report.
2. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements. In addition, the Region presented in this sample report is not responsible for maintaining and reporting their own capital assets, therefore related disclosures are not presented. If capital assets apply to the Region, additional disclosures may be necessary.
3. Schedule 1, Schedule of Expenditures of Federal Awards, on page 23, reports the Region's Social Services Block Grant expenditures for fiscal year 2015 under the assumption the individual member counties deposited the initial allocation to their county's Fund 10 and subsequently remitted these dollars to the Regional fiscal agent. If individual member counties spend a portion of these SSBG dollars from their respective member county's Fund 10, the portion spent (\$217,050 for example) should be reported on Schedule 1 as follows:

Schedule of Expenditures of Federal Awards

Grantor/Program	CFDA Number	Program Expenditures
Indirect:		
U.S. Department of Health and Human Services:		
Iowa Department of Human Services:		
Social Services Block Grant		
(\$217,050 provided to subrecipients)	93.667	\$ 547,668



OFFICE OF AUDITOR OF STATE
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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Sample Mental Health Region for the year ended June 30, 2015.

The Region had revenues of \$6,577,997 for the year ended June 30, 2015, including \$2,259,432 from property and other county tax, \$214,094 from state tax credits, \$1,826,182 from operating grants, contributions and restricted interest, \$47,796 from charges for service, \$4,050 from other general revenues and \$2,226,443 initial contributions from member counties.

Expenditures for the year ended June 30, 2015 totaled \$4,589,482 and included \$3,510,876 for direct services to consumers, \$1,037,983 for general administration and \$40,623 for county provided services.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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SAMPLE MENTAL HEALTH REGION
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Table of Contents

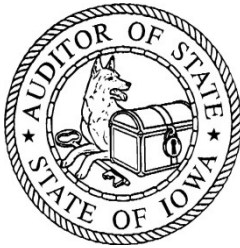
	<u>Page</u>
Officials	3
Independent Auditor's Report	5-7
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Position	A 10
Statement of Activities	B 11
Balance Sheet	C 12-13
Statement of Revenues, Expenditures and Changes in Fund Balances	D 14-15
Notes to Financial Statements	16-20
Supplementary Information:	<u>Schedule</u>
Schedule of Expenditures of Federal Awards	1 23
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	25-26
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	27-28
Schedule of Findings and Questioned Costs	29-31
Staff	32

Sample Mental Health Region

Regional Governance Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Pam Bailey	Board Chair	County A Board of Supervisors
Greg Cassidy	Vice Chair	County B Board of Supervisors
Doug Stamp	Board Member	County C Board of Supervisors
Brad Lawyer	Board Member	County D Board of Supervisors
Pat Henry	Board Member	County E Board of Supervisors
Charlene Claim	Board Member	County F Board of Supervisors
Leo Emerson	Non-Voting Ex-Officio Board Member	
Julie Ledger	Chief Executive Officer	

Sample Mental Health Region



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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Independent Auditor's Report

To the Regional Governance Board of
Sample Mental Health Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sample Mental Health Region, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Region's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Mental Health Funds of Member County D, Member County E and Member County F, which represent 26.8%, 9.4% and 15.6%, respectively, of the assets, 32.1%, 5.5% and 15.4%, respectively, of the fund balance and 18.2%, 12.0% and 10.9%, respectively, of the revenues included in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, respectively. Those Mental Health Funds were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Member County D, Member County E and Member County F, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Region's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 4 to the financial statements, management has not recorded a liability for compensated absences in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. U.S. generally accepted accounting principles require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the liabilities, net position and expenses of governmental activities has not been determined.

Also, as discussed in Note 4 to the financial statements, management has not recorded a liability for other postemployment benefits (OPEB) in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. U.S. generally accepted accounting principles require the Region's annual OPEB costs based on the annual required contribution of the Region, an amount actuarially determined in accordance with GASB Statement No. 45, be accrued as liabilities and expenses, which would increase the liabilities, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the liabilities, net position and expenses of governmental activities has not been determined.

In addition, as discussed in Note 4 to the financial statements, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in governmental activities and, accordingly, has not recorded pension expense for the current period change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. generally accepted accounting principles require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion on Governmental Activities" paragraphs above, the Statement of Net Position and the Statement of Activities of the governmental activities do not present fairly the financial position of the governmental activities of Sample Mental Health Region, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of Sample Mental Health Region, as of June 30, 2015 and the changes in its financial position for the year then ended in accordance with U.S generally accepted accounting principles.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis which U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample Mental Health Region's basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2015 on our consideration of Sample Mental Health Region's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample Mental Health Region's internal control over financial reporting and compliance.

MARY MOSIMAN, CPA
Auditor of State

November 20, 2015

Sample Mental Health Region

Basic Financial Statements

Exhibit A

Sample Mental Health Region

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 2,014,298
Receivables:	
Property tax:	
Delinquent	41,774
Succeeding year	2,068,000
Accounts	51,004
Due from other governments	<u>161,113</u>
Total assets	<u>4,336,189</u>
Liabilities	
Accounts payable	221,097
Salaries and benefits payable	11,667
Due to other governments	<u>46,910</u>
Total liabilities	<u>279,674</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>2,068,000</u>
Net Position	
Restricted for mental health purposes	<u><u>\$ 1,988,515</u></u>

See notes to financial statements.

Sample Mental Health Region

Statement of Activities

Year ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Governmental activities:				
Mental health	\$ 4,589,482	47,796	1,826,182	(2,715,504)
General Revenues:				
Property and other county tax levied for mental health purposes				2,259,432
State tax credits				214,094
Unrestricted investment earnings				2,000
Miscellaneous				2,050
Special item - initial contributions from member counties				2,226,443
Total general revenues and special item				4,704,019
Change in net position				1,988,515
Net position beginning of year				-
Net position end of year				\$ 1,988,515

See notes to financial statements.

Sample Mental Health Region

Balance Sheet

June 30, 2015

				Mental
	Fiscal Agent	Member County A	Member County B	Member County C
Assets				
Cash, cash equivalents and pooled investments	\$ 131,512	358,987	321,960	190,267
Receivables:				
Property tax:				
Delinquent	-	20,238	20,238	67
Succeeding year	-	251,000	251,000	418,000
Accounts	238	-	-	-
Due from member counties	5,200	-	-	-
Due from other governments	-	63,357	63,357	-
Total assets	\$ 136,950	693,582	656,555	608,334
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,030	144,868	15,779	938
Salaries and benefits payable	-	8,230	-	2,422
Due to fiscal agent	-	-	-	-
Due to other governments	-	23,432	23,432	46
Total liabilities	2,030	176,530	39,211	3,406
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	251,000	251,000	418,000
Other	-	18,791	18,791	67
Total deferred inflows of resources	-	269,791	269,791	418,067
Fund balances:				
Restricted for mental health purposes	134,920	247,261	347,553	186,861
Total liabilities, deferred inflows of resources and fund balances	\$ 136,950	693,582	656,555	608,334

See notes to financial statements.

Health Funds				
Member County D	Member County E	Member County F	Elimination Entries	Region Total
552,512	165,726	293,334	-	2,014,298
950	33	248	-	41,774
529,000	243,000	376,000	-	2,068,000
50,300	-	466	-	51,004
-	-	-	(5,200)	-
27,968	-	6,431	-	161,113
1,160,730	408,759	676,479	(5,200)	4,336,189

-	57,164	318	-	221,097
492	523	-	-	11,667
5,200	-	-	(5,200)	-
-	-	-	-	46,910
5,692	57,687	318	(5,200)	279,674

529,000	243,000	376,000	-	2,068,000
950	-	246	-	38,845
529,950	243,000	376,246	-	2,106,845

625,088	108,072	299,915	-	1,949,670
1,160,730	408,759	676,479	(5,200)	

Amounts reported for governmental activities in the Statement of Net Position are different because certain long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.

Net position of governmental activities	38,845
	<u>\$ 1,988,515</u>

Sample Mental Health Region

Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2015

	Fiscal Agent	Mental Health		
		Member County A	Member County B	Member County C
Revenues:				
Property and other county tax	\$ -	235,613	285,468	400,044
Intergovernmental revenues				
State tax credits	-	16,899	86,603	13,670
MH-DD reimbursement from other governments	-	1,000	-	-
Payments from member counties	2,858,478	-	-	-
Payments from MHDS fiscal agent to MHDS regional members	-	-	-	25,333
Mental health and disability services equalization	1,179,140	-	-	-
Mental health and disability services transition	-	-	68,153	-
Social services block grant	-	27,797	172,599	29,551
Medicaid	-	-	14,061	-
Other intergovernmental revenues	-	1,317	467	450
Total intergovernmental revenues	4,037,618	47,013	341,883	69,004
Charges for service	25,000	3,000	-	-
Use of money and property	2,000	-	-	-
Miscellaneous	-	1,800	-	-
Total revenues	4,064,618	287,426	627,351	469,048
Expenditures:				
Services to persons with:				
Mental illness	2,234,587	1,317	4,000	4,698
Intellectual disability	812,536	-	5,826	-
Other developmental disabilities	353,401	-	-	-
Brain injury	48,000	-	-	-
Total direct services to consumers	3,448,524	1,317	9,826	4,698
General administration				
Direct administration	424,644	83,439	120,960	125,046
Purchased administration	5,000	-	-	-
Distribution to MHDS regional fiscal agent	-	486,417	287,479	697,127
Fiscal agent reimbursement to member counties	51,530	-	-	-
Total general administration	481,174	569,856	408,439	822,173
County provided case management	-	-	-	-
County provided services	-	-	-	-
Total mental health, intellectual disabilities and developmental disabilities expenditures	3,929,698	571,173	418,265	826,871
Excess (deficiency) of revenues over (under) expenditures	134,920	(283,747)	209,086	(357,823)
Special item - initial contributions from member counties	-	531,008	138,467	544,684
Net change in fund balances	134,920	247,261	347,553	186,861
Fund balances beginning of year	-	-	-	-
Fund balances end of year	\$ 134,920	247,261	347,553	186,861

See notes to financial statement.

Funds				
Member County D	Member County E	Member County F	Elimination Entries	Region Total
540,232	377,300	381,930	-	2,220,587
41,500	35,322	20,100	-	214,094
-	-	-	-	1,000
-	-	-	(2,858,478)	-
26,197	-	-	(51,530)	-
-	-	-	-	1,179,140
-	27,797	-	-	95,950
177,224	70,396	70,101	-	547,668
-	5,735	-	-	19,796
-	190	-	-	2,424
244,921	139,440	90,201	(2,910,008)	2,060,072
-	-	-	-	28,000
-	-	-	-	2,000
175	75	-	-	2,050
785,328	516,815	472,131	(2,910,008)	4,312,709
1,377	4,000	34,709	-	2,284,688
-	6,425	-	-	824,787
-	-	-	-	353,401
-	-	-	-	48,000
1,377	10,425	34,709	-	3,510,876
52,807	128,328	54,075	-	989,299
-	-	-	-	5,000
737,354	304,990	388,795	(2,858,478)	43,684
-	-	-	(51,530)	-
790,161	433,318	442,870	(2,910,008)	1,037,983
-	-	23,123	-	23,123
-	-	17,500	-	17,500
791,538	443,743	518,202	(2,910,008)	4,589,482
(6,210)	73,072	(46,071)	-	(276,773)
631,298	35,000	345,986	-	2,226,443
625,088	108,072	299,915	-	1,949,670
-	-	-	-	-
625,088	108,072	299,915	-	1,949,670
Amounts reported for governmental activities in the Statement of Activities are different because some revenues will not be collected for several months after the Region's year end and, therefore, are not considered available revenues in the governmental funds.				
Change in net position of governmental activities				38,845
				<u>\$ 1,988,515</u>

Sample Mental Health Region

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Sample Mental Health Region is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The Region includes the following member counties: Member County A, Member County B, Member County C, Member County D, Member County E and Member County F. The member counties entered into this 28E agreement on April 25, 2014 to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

The Region governing board is comprised of at least one board of supervisors' member, or their designees, from each member county. The governing board also includes one individual who utilizes mental health and disability services or is an actively involved relative of such an individual, serving in a nonvoting, ex officio capacity.

Sample Mental Health Region designated Member County A as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

The Region's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Region are intended to present the financial position and the changes in financial position of Sample Mental Health Region, which includes funds held by the Region's fiscal agent and funds held by the individual member counties in their respective special revenue mental health funds. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

A. Reporting Entity

For financial reporting purposes, Sample Mental Health Region has included all funds, organizations, agencies, commissions and authorities. The Region has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Region are such that exclusion would cause the Region's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Region to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Region. The Region has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide financial statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Region.

The Statement of Net Position presents the Region's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following category:

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. Property and other county tax, state tax credits, unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Region reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of the Region not expended directly from the Mental Health Funds of the individual member counties.

Member County Mental Health Funds are used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Region considers revenues to be available if they are collected by the Region or member county within 90 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Region or member county.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Region funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Region's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Region's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most Region funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or the member county mental health fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by each member county board of supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by each member county board of supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, each member county board of supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by each member county board of supervisors in March 2014.

Due from and Due to Other Members – During the course of its operations, the Region has numerous transactions between member counties. To the extent certain transactions between member counties had not been paid or received as of June 30, 2015, balances of member county interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the Region and payments for services which will be remitted to other governments.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within ninety days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

(2) Cash and Investments

The Region's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Region is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Region; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Region had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Special Item - Initial Contributions from Member Counties

Sample Mental Health Region began operations July 1, 2014. The ending balances of the Mental Health Funds of each member county as of June 30, 2014 are reported as initial contributions from member counties in the Statement of Activities.

(4) Compensated Absences, Other Postemployment Benefits (OPEB) and Pension Plan

In accordance with statements of understanding between the Regional Governance Board and each individual member county board of supervisors, the Regional Chief Executive Officer, the Coordinators of Disability Services and all support staff of the Region remain employees of the respective individual member counties. The applicable portion of the employee's wages and benefits are reimbursed to the individual member county from the Region.

The individual member county employees also accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Also, the individual member county employees are provided other postemployment and pension benefits. U.S. generally accepted accounting principles require deferred outflows of resources, liabilities, deferred inflows of resources and related expenses to be recorded when incurred for these items on the governmental activities financial statements. The Region's governmental activities financial statements do not report these amounts.

(5) Risk Management

The Region is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Region assumed liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past year.

Supplementary Information

Sample Mental Health Region

Sample Mental Health Region
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

Grantor/Program	CFDA Number	Program Expenditures
Indirect:		
U.S. Department of Health and Human Services:		
Iowa Department of Human Services:		
Social Services Block Grant	93.667	\$ 547,668

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sample Mental Health Region and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards**



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Regional Governance Board of
Sample Mental Health Region:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sample Mental Health Region as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated November 20, 2015. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity. Our report includes a reference to other auditors who audited the Mental Health Funds of Member County D, Member County E and Member County F, as described in our report on Sample Mental Health Region's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample Mental Health Region's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sample Mental Health Region's internal control. Accordingly, we do not express an opinion on the effectiveness of Sample Mental Health Region's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Sample Mental Health Region's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample Mental Health Region's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Region's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Region. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sample Mental Health Region's Responses to the Findings

Sample Mental Health Region's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sample Mental Health Region's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

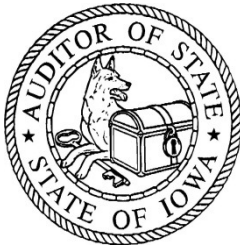
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Region's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Region's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample Mental Health Region during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

MARY MOSIMAN, CPA
Auditor of State

November 20, 2015



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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Regional Governance Board of Sample Mental Health Region:

Report on Compliance for Each Major Federal Program

We have audited Sample Mental Health Region's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Sample Mental Health Region's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Sample Mental Health Region's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sample Mental Health Region's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Sample Mental Health Region's compliance.

Opinion on Each Major Federal Program

In our opinion, Sample Mental Health Region complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Sample Mental Health Region is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sample Mental Health Region's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample Mental Health Region's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

MARY MOSIMAN, CPA
Auditor of State

November 20, 2015

Sample Mental Health Region
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) A modified opinion was issued on the governmental activities financial statements. Unmodified opinions were issued on the governmental fund financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) No audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a) were noted.
- (g) The major program was CFDA Number 93.667 – Social Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sample Mental Health Region did not qualify as a low-risk auditee.

Sample Mental Health Region
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part II: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual generally has control over each of the following areas:

- (1) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (2) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (3) Financial Reporting – recordkeeping, preparing Region financial reports and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. The Regional Governance Board should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Region Board Members. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – We will establish procedures to segregate duties as identified above.

Conclusion – Response accepted.

II-B-15 Mental Health Financial Reporting – Elimination entries are necessary to reduce revenues and expenditures in the Region's annual report for financial activity occurring between the Region's fiscal agent and the member counties. The Uniform Chart of Accounts for Iowa County Governments provides for the coding necessary for identifying the elimination activity. During the audit, we identified transactions between the Region fiscal agent and member counties which were not properly coded. Adjustments were subsequently made by the Region fiscal agent to properly report and eliminate these transactions in the financial statements.

Recommendation – The Region should establish procedures to monitor the coding of mental health revenues and expenditures in accordance with the Uniform Chart of Accounts for Iowa County Governments in Iowa, both at the Region fiscal agent and the individual member county levels, to ensure proper reporting in the Region's financial statements.

Response – We have established procedures to reconcile member county and fiscal agent activity with the Region's financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample Mental Health Region
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part III: Findings and Questioned Cost For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFIECIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-15 Region Minutes – No transactions were found that we believe should have been approved in the Region minutes but were not.
- IV-B-15 Travel Expense – No disbursements of Region money for travel expenses of spouses of Region officials or employees were noted.
- IV-C-15 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Region's investment policy were noted.
- IV-D-15 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

Sample Mental Health Region

Staff

This audit was performed by:

John Q. Review, CPA, Manager
Margo Setter, CPA, Senior Auditor
Jerome Warning, CPA, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State